

Commission on Streamlining Government

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Advisory Group on Civil Service and Employee Benefits

Minutes of Meeting
October 27, 2009

DATE APPROVED: November 16, 2009

I. CALL TO ORDER

A meeting of the Advisory Group on Civil Service and Employee Benefits was held on Tuesday, October 27, 2009, in Committee Room E at the State Capitol in Baton Rouge, Louisiana. The chairman, Representative Jim Morris, called the meeting to order at 9:30 a.m.

II. ROLL CALL

The secretary called the roll and the following was noted:

MEMBERS PRESENT:

Representative Jim Morris, Chairman
Representative Kevin Pearson
Lansing Kolb

MEMBERS ABSENT:

Elizabeth Merrill
Representative Mike Danahay

STAFF PRESENT:

Laura Gail Sullivan, Coordinator
Ann S. Brown, Analyst
Michelle Pickering, Secretary
Evelyn McWilliams, Fiscal Analyst
Karen LeBlanc, Senior Auditor

STAFF ABSENT:

Camille Pampell Conaway, Governor's Office
Policy Adviser
Glark Gradney, Budget Analyst

III. WITNESSES:

LOUISIANA DEPARTMENT OF STATE CIVIL SERVICE

Shannon Templet, Department of State Civil Service, Post Office Box 94111, Baton Rouge, Louisiana 70804

Jean Jones, Department of State Civil Service, Post Office Box 94111, Baton Rouge, Louisiana 70804

Jay Dardenne, Secretary of State, Baton Rouge, Louisiana

Charles Hall, State Employees', School Employees, State Troopers, and Teachers Retirement Systems, 1624 LaSalle Park Drive, Baton Rouge, Louisiana

Howard Sanders, Louisiana Workforce Commission, 2001 22nd Street, Baton Rouge, Louisiana

Kevin Joyce, Louisiana Workforce Commission, IWTP, 5615 Corporate Blvd., Baton Rouge, Louisiana

Benny Soulier, Louisiana Workforce Commission, Baton Rouge, Louisiana

Tommy Teague, Office of Group Benefits, Post Office Box 44036, Baton Rouge, Louisiana 70804

Malcolm Veazie, Office of Group Benefits, Post Office Box 44036, Baton Rouge, Louisiana 70804

Eve Kahao Gonzales, Louisiana Public Service Commission, Post Office Box 91154, Baton Rouge, Louisiana 70821

Bob Harper, Department of Natural Resources, Baton Rouge, Louisiana

Jerome Zeringue, Office of Coastal Protection and Restoration, 450 Laurel Street, Baton Rouge, Louisiana

III. APPROVAL OF MINUTES:

Representative Jim Morris made a motion to approve the minutes from the October 20, 2009, meeting. There being no objection, the minutes were approved.

IV. DISCUSSION:

Representative Jim Morris asked that all cell phones either be turned off or silenced. He mentioned that Elizabeth Merrill would be reflected on the roll call and the minutes as a member of the advisory group until she formally resigned.

Representative Morris called on the Secretary of State's Office.

Jay Dardenne, Secretary of State, came forth and testified that it was his understanding they were here to respond to the recommendations made by the Mercatus Center's report relative to the Secretary of State's Office. It was his opinion that the recommendations were done in a complete vacuum. He said that no one had contacted the Secretary of State's Office to find out what their functions were, how these functions were done, what impact their office had on the people of the state, how those functions could be modified, and how some savings could actually be realized by implementing any of the recommendations that had been put forth. He also said he thought that a significant amount of research had not been done and that no data was collected. He said his office had spent

a great deal of time preparing information for the Streamlining Commission, for the sunset review that was coming up and was in a position to adequately respond to questions that had been raised. It was his understanding that three recommendations had been made and wanted to address each one of them. The first two recommendations dealt with the removal of commercial operations from the Secretary of State's office and placed it into a newly created department of state government that would be under the executive branch of government to insure that the operations of the commercial division be funded on a full cost recovery basis. It was his opinion that the phrase "full cost recovery funding" was a way to differentiate from fees, so that all of the money generated by the commercial department would go to the operation of that specific department. However, as it relates to the operation of the Secretary of State's office, the commercial division is fully self sufficient, generating revenues beyond what was necessary to fund its specific operation. By law that overage is allowed to be used for the administrative operation of the Secretary of State's office. Any amount above what was budgeted reverted to the State general fund every year. He said that he did not understand the numbers because the one-page report that he had been provided by the Mercatus Center indicated that the total budget of their department was 77 billion 158 million which he said was 20 million over what actual budget. The savings to be generated was 4.4 million which was about 80% to 90% plus for the entire operation of the commercial division. He said eliminating the commercial activity of the state of Louisiana would be quite a disincentive to businesses and economic development within the state. He thought this would create a great deal of chaos if businesses did not have to register or file annual reports to keep up with the mechanics of the businesses of this state. To move commercial activity to another location and make it a very small part of a much larger operation, whose main motivation was economic development, seemed to him to be a misplaced concept. It was his hope to implement, either by the end of the year or fiscal year, an outreach program designed to assist businesses, who register to do business in Louisiana, by directing them through an internet portal to areas of state government they had to deal with; for example fees or taxes that they may have to pay or permits that they may have to acquire, etc. The Secretary of State's office, in 75% to 85% of the states in America, does the same function that they currently do. It is the commercial registration sector of government that registers businesses, not the economic development arm of government, which was primarily concerned with attracting large businesses. He said that his operation specializes in small businesses, helping people who want to start a small business here in Louisiana, by directing them on what they need to do in order to start their business. He said that within the next month or so small businesses would be able to file their business creation documents and annual reports on line. This was accomplished with a lot of work by the IT Department. The IT Department has a function related to elections and a function related to the commercial aspect of the Secretary of State. He said the Secretary of State's office benefits by being a relatively small shop, having a relative small IT Department who was able to interface with both the commercial division and elections, which he thought were two very important functions of state government that arguably deal with as many people in this state as any agency other than motor vehicles. Businesses and voters in Louisiana had to interact with the office of the Secretary of State and he wanted to make sure that would be a good experience. It was his opinion that the notion to simply arbitrarily suggest, with really no supporting data, no research or inquiry, that the commercial department should be lifted and put with a greater enterprise directed to business was very misplaced.

He said the comments on the recommendation state the suggested recommendations were based on very limited information, he concurred with that statement. They also state that the committee's local knowledge may determine that the suggestions were not viable, he hoped that was true. He suggested that the advisory group discard the suggested recommendations. As to the full cost recovery concept, he inquired as to how that would result in a monetary savings. The operation of the commercial division in the Secretary of State's office or anywhere else would require about five million in order to provide the functions that were currently being provided. He said that those savings would not be real dollar savings.

He said that he had chaired a similar committee back in 2001 or 2002 called "Cut the Fat" and that some of the recommendations from that committee had actually been implemented, for example, the consolidation of the school for the visually impaired and the school for the deaf. The Secretary of State's budget was built on stimulus money. The current budget was propped up with 20 million in stimulus money that would be going away in two years and thought that would create another problem for the legislature and the governor. There is going to be a state-wide election next year that was not funded in this year's budget that would have to be funded in next year's budget. The Secretary of State's budget represents less than one percent of the total state budget, when you aggregate the six statewide officials other than the governor's office. He said that he knew major budget reductions were forthcoming and they had already made some cuts within the department of the Secretary of State and were prepared to make some more. They restructured some of the executive management positions and eliminated some high paying positions by consolidating them.

The legislative auditor, who was on loan to the commission, did meet with the museum director and got some very limited information regarding the museum system. The one-page suggested recommendation by the Mercatus Center asked the question why the museums did not include the lieutenant governor's portfolio on arts, culture, and museums. It was his understanding that question had been answered with a recommendation that the museums under the purview of the department of the Secretary of State be moved to Culture, Recreation, and Tourism. He found fault with that concept saying the Secretary of State's museum's system was born out of politics in the early 1990's and since that time 17 additional museums had been added. Several of them opening within the next year or so. The Secretary of State's budget for 17 museums was 4 million. Two people administer those 17 museums from a central administration standpoint, who were in charge of the administrative operation of the entire museum system, whose total salaries were less than \$130,000. He said there were directors on site at each museum. Taking museums away from the department of the Secretary of State would result in, maybe \$120,000 in saving with the elimination of the administrative positions unless those individuals were transferred somewhere else. The only way to save money within the museum system would be to close museums, and he suggested that this would not be good for the state of Louisiana. It was his opinion that the museums were becoming educational venues for the children, popular sights for tourists and Louisianians to learn about Louisiana's history and culture and the Louisiana Hero's Heritage Trail. It was his opinion that the museums were a vital part of state government. By legislative action every one of the museums are the state's responsibility.

The Secretary of State had taken steps to have the state gain ownership of the buildings, grounds, and lands and assumed responsibility for them with state employees operating those museums. It was his opinion that there would be no savings by moving the museums to CRT. The Lieutenant Governor's museums are accredited by the American Association of Museums. Museums in the care of the department of the Secretary of State are not. It was his goal to make that happen, but thought they had a long way to go. It was his opinion that if the department of the Secretary of State's museums were moved to CRT, their accreditation would be threatened. He thought this would not save any money, but potentially cost money. The Secretary of State's office was working on some collaborative efforts for education and had talked to the Lieutenant Governor about piggy-backing on the money that he has for promotions, tourism, museums and historic sites, because the Secretary of State's budget for promotions was zero. He said their office did not have a marketing budget for promoting museums. The functions that the two respective systems provide are different, the curatorial needs and demands are different. What it takes to maintain the Cabildo in New Orleans is completely different from what had to be done to maintain the Cotton Museum in Lake Providence. Each has separate missions. They are currently working, and working efficiently in a manner that is serving, very well, the people of the state of Louisiana. The recommendation to consolidate these museums would result in a negative outcome for the state museum system, the Secretary of State Museum System, and ultimately the people of this state who have the opportunity to enjoy and benefit from both of these systems.

It was his belief that it would be a significant change if either of these two components of the Secretary of State were taken away. He said that they were kind of a three legged stool with elections, museums, and archives, because they also have the responsibility of protecting and safe guarding Louisiana's history as the museums do. Then there is the commercial division. The Secretary of State had some other ancillary programs they also operate, such as notaries, the issuance of commissions, etc.

He said the department of the Secretary of State's office took strong exceptions to all three of the recommendations that had been brought before the commission, not because he did not recognize that they had to do their part in taking the painful cuts that everyone in state government would have to take. It was his belief that these recommendations would not be appropriate or effective and would not save the state any money.

He said that the department of the Secretary of State would be coming the legislature with a number of proposed statutory changes in the upcoming session that he thought were going to be streamlined and cost savings by reducing or eliminating some functions. For example, he did not believe that they should have to spend the people's money to print the number of documents that they were required to print and distribute, bound copies of the acts of the legislature which he thought was somewhat of a relic of the past given the availability of the internet.

Representative Morris stated that if the Secretary of State was in a position to give those proposals to the advisory group, they would certainly put them into a package to be utilized by the Streamlining Commission.

Jay Dardenne responded that they had not yet been put in draft form, but he would get the concept of those proposals to the advisory group.

Representative Morris commented that the advisory group would be taking up the recommendations made and wanted the audience to know that even if the Advisory Group on Civil Service and Employee Benefits rejected any of the suggested proposals or recommendations, it did not mean that any other person on the Streamlining Commission couldn't pick them back up and try to move them forward.

Representative Pearson inquired relative to the HAVA requirements account because of the difference in the value, going from 35 million in 2005 to 10 million in 2006. It was his belief that those were the department's means of finance.

Jay Dardenne replied that was what was seen in state budget where federal dollars drive the numbers of the budget up so much when comparing the traditional state general fund dollars, the Louisiana tax payer dollars versus federal dollars. He said the Louisiana Vote Fund, the election administration, the HAVA fund, and the voting access accounts were all dedications of federal dollars. HAVA stands for Help America Vote Act, which is a piece of federal legislation that profoundly changed voting. It created a huge pot of money the federal government dumped on all of the states to implement changes in voting practices to develop some consistencies as a follow-up to the "so called motor voter" legislation a few years prior to HAVA. HAVA is the federal response to the contested presidential election. The federal law provided a lot of money for states to upgrade their voting equipment, etc. The original 35 million that came to the state had been spent down with the acquisition and upgrading of voting equipment, and training on the use of disability voting devices, etc. There are very strict requirements under that federal law. They have to submit a plan to be reviewed by a committee, which was created by the department, by law. This committee also reviews all recommendations and signs off on every expenditure of funds. The 35 million has been spent down to the point that there is still 10 million available. It can only be used for the specific charges associated with HAVA. These funds can not go to the general operation of the Secretary of State.

Representative Pearson inquired relative to the current number of positions in the Department of Elections, because it went from 75 authorized positions in 2005 to 128 in 2009.

Jay Dardenne responded that movement predated his coming into the office. Prior to 2007 a number of the employees worked throughout the state in warehouses, because they have an election machine warehouse in every parish. There are workers in every parish that are responsible for preparing for the elections, working and distributing the machines, etc. Many of those employees were not full time TO employees. They were not on the department's table of organization. They were considered part time employees so the number was 75. As part of an effort, through state government that predated him, the approach was to make those individuals full time. With the full time employment came some benefits; however, it also brought with it the coordination and consistency of having people who could remain on the job who were not working part time somewhere else and weren't looking for other jobs, etc. The switch from the 75 to 128 represents the movement of those people from

WAE (work as needed) employees to full time employees and that increased the TO. However, their TO has dropped overall and was down five or six positions in the whole operation of the office from last fiscal year as a result of the budget cuts and efforts made to try and streamline.

Representative Pearson inquired as to whether or not elections could be an area that could possibly be privatized.

Jay Dardenne responded yes, that could be a possibility, however, strongly suggested not doing that because Louisiana is unique among most states in that we own all of our own voting machines. The Secretary of State's office is accountable and responsible for maintaining, servicing, building ballots, testing and the whole gambit of accountability that comes with the objective of maintaining complete 100% integrity in the election process. He said other states vary from county to county and many of those states end up contracting with voting machine vendors and other consultants to do the work. It was his opinion that this practice increased the risk of compromising the integrity of the process. Most importantly the people of this state have made a huge investment in the machines that are currently in the possession of the Secretary of State and in the election system itself. It was his opinion that risk was not worth taking in the state of Louisiana.

Representative Pearson inquired as to whether or not it was the state that rolled out the machines for local elections.

Jay Dardenne answered yes, sir.

Representative Pearson inquired as to whether or not they were compensated for this service.

Jay Dardenne answered yes, sir. When elections are held by local governments on designated election days and there was not a statewide election going on, local government pays for those elections.

Representative Pearson inquired as to the possibility of reducing the number of election days statewide.

Jay Dardenne answered no. The January and July dates have already been eliminated and he thought that it was appropriate to have the two current election dates, one in the spring and one in the fall. However, it was his opinion that we should stop having special elections. He said that there was two special elections this summer that he felt could have waited until the fall which would have saved the state \$500,000. The special elections were held to fill two vacant seats in the legislature. If the state had waited just six weeks to have those elections at a time when a regularly scheduled election date was set, the state would have saved \$500,000.

Representative Pearson inquired as to whether or not early voting was costing any money.

Jay Dardenne answered that it was costing money to have aggressive early voting. He said it cost money to have additional days of early voting and to have additional early voting sites. It was his belief that it was a very popular notion with the people and the legislators.

Representative Pearson inquired as to the possibility of voting on line.

Jay Dardenne answered not any time soon.

Representative Morris commented that the advisory group was going to move the recommendations forward in an effort to get them pushed through. He wanted them read into the record and then have the voting process started. If there were no objections to any of the recommendations, then they would remain as written and move forward.

Laura Gail Sullivan read the first recommendation: The commercial activities currently administered by the Secretary of State should be moved to a new department of commerce.

Representative Morris objected, there was no discussion or objection to the objection. He said that this advisory group would not be moving this recommendation forward. He wanted to remind the audience that any other member of the streamlining commission could bring it back up and try to move it forward. However, he was going to suggest to the commission that this was a recommendation that was not approved by this advisory group.

Laura Gail Sullivan read the second recommendation: The commercial division of the Secretary of State's office should operate on a full cost recovery basis.

Representative Morris commented that the recommendation sounded appropriate, but want to further understand it and inquired as to whether or not the museums charged a fee.

Jay Dardenne answered no.

Representative Morris inquired as to whether or not charging a fee could be a possibility.

Jay Dardenne responded that it was his understanding that the Mercatus report did not address that question relative to museums. The full cost recovery question was asked of the commercial division. However, to answer the question, a decision was made to eliminate the admission fees, which only generated about \$30,000 to \$40,000 a year in revenue to the state. The elimination of the fees caused a spike in attendance at every one of the museums. It was his opinion that the objective was to get the people back into the museums.

Lansing Kolb inquired as to what it would mean to the Secretary of State's office if this particular recommendation passed out of this advisory group.

Jay Dardenne replied that he did not know what it would mean because it was his belief that the numbers did not match. He said he understood the notion that the cost imposed should relate to the services that were rendered. However, the actual collections in the commercial division exceeds the amount that was spent to fund that operation. The excess is used to fund other operations of the administration that were absolutely essential to the operation of the commercial department, like the purchasing department, the IT department, and the accounting department all of which provide administrative services to the commercial division.

Representative Morris stated that it was his belief that this recommendation needed more discussion and was going to allow it to move forward only for the sake of more discussion. So it will be brought back up at another time. It was his opinion that the recommendation was made without realizing that the Secretary of State was utilizing those monies to fund the entire aspect of the operation. He thought what they were trying to do under full cost recovery was that once the department got to the full cost recovery aspect, that money would be given back to the tax payers in some form or fashion.

Jay Dardenne stated that the 4 million that operates the commercial division is for the isolated operation of that division because that is the way the budget was set up in HB 1. He said that there was about 9 million that was generated generally by the fees which cover the cost of the administrative aspects of that division. It was his opinion by allowing this recommendation to go forward, the group would also be looking at full cost recovery in virtually every other operation the recommendation suggested that full cost recovery should be applicable to.

Lansing Kolb was in agreement with moving the recommendation forward to the Streamlining Commission for overall discussions. However, he said that he would ultimately not be voting for any fee reductions.

Representative Morris commented that once the recommendation left the advisory group it would go through the same process in the Streamlining Commission. The Secretary of State would have 14 days in which to give written responses. The recommendation was moved forward.

Laura Gail Sullivan read the third recommendation: Museums in the Secretary of State's office should be moved to the Lieutenant Governor's office of Culture, Recreation, and Tourism.

Representative Morris commented that he was against this recommendation and objected to moving same forward. The recommendation was not passed out of the advisory group meeting. He said that the results of the advisory group would be brought to the full committee next Tuesday at which time the Secretary of State's Office would get 14 days to respond.

Representative Morris called for the presentation on the Deferred Retirement Option Plan (DROP), Mr. Charles Hall.

Charles Hall, actuary appeared and testified saying that he wanted the group to understand one basic concept before he began discussing the history of DROP, and that was that all of the public plans had a benefit formula that was based upon years of service times some accrual rate, typically about 2.5% for rank and file. For each year of service the employee would get 2.5% of their final average salary, which could be defined as 30 to 60 contiguous months depending on the retirement plan. When a participant goes to retire, they take their years of service and multiply it times the accrual rate of 2.5%, so if you had 30 years of service, that would be 75%. The retirement benefit would be 75% of your final average compensation. He said that was the basic ground work for determining the pension benefit. It was his opinion the history of DROP was such that there was no conscious effort in creating the program, it just sort of evolved. The DROP program started with the City-Parish of East Baton Rouge. The city ordinances had no provision to provide the retirees of the East Baton Rouge Parish Retirement System a cost of living increase. The employees wanted the ability to receive part of their pension benefit in a lump sum, so they commissioned the system to see how that could be done in a feasible manner. What the employees defined as feasible was that it would have absolutely no cost to city-parish. He said that city-parish had a very unique pay structure in that the employees enjoyed longevity pay increases at the end of their careers. On the 27th, 28th, and 29th year of their career they were given, in addition to merit increases, longevity pay increases. These increases ranged from 8% to 12% per year. In order to produce a plan that was actuarially neutral the employees were require to enter the plan before their longevity pay increases took effect which meant that their benefit would not be based upon what would have been their final average compensation, but a final average compensation that was earned prior to their longevity pay increase. This meant that the employee would freeze their final average compensation at a lower level, essentially freezing their pension benefit at that lower level and in return for that, they would be allowed to participate in the program. The initial program provided that they would receive, depending upon the structure, two years of their reduced pension benefit being deposited into an account for them. It was their own individual account so that when they finished the program, at the end of the two-year period, they would have their reduced pension plus an accumulation of two years worth of pension benefits in this account that they would have access to. While the employee participated in the program, they no longer contributed to the plan. The employer made no further payments towards the employee's benefit, but was still required to continue their payment towards the unfunded liability portion. The initial concept was that at the end of the DROP participation the employees were to terminate their employment. While they were participating in DROP, the DROP account was allowed to earn whatever interest rate the retirement system earned on those funds.

DROP subsequently spilled over into the state retirement systems. He said that DROP was a program such that one size did not fit all, the demographics of each retirement system is different. When constructing the program the demographics had to be taken into consideration in order to maintain the actuarial neutrality. In the case of the Municipal Police Employees Retirement System, he said that he was able to construct a DROP program such

that the members were required to enter when they first obtained retirement eligibility which was 25 years of service without regard to age, or age 55 with 20 years of service. Once one of those eligibilities were met, they were given the opportunity to participate and could do so upwards to three years. The participation was similar to East Baton Rouge Parish, but there were some differences. Once the employee began participation, their final average compensation was frozen at their highest three years. At the point they entered the DROP program, they could participate up to three years which meant that they would be paid three years' worth of pension benefits while they continued to work. Now they were drawing a salary and depositing a pension benefit into the DROP account. This was determined to be an actuarial equivalent or neutral position for the retirement system, because, in effect, what the employee was doing was trading a larger pension benefit based upon a higher final average compensation for a lower pension benefit plus a lump sum of money that had accumulated in the DROP account. There were some differences that needed to be taken into consideration in order to make the program actuarially neutral. There was no interest paid on the DROP accumulation while they were participating in the program. If they terminated the program, they were not required to terminate their employment. They could not withdraw the DROP money as long as they continued working, but would continue to accrue additional benefits. The additional benefits that accrued constituted a separate benefit that, when they did retire, the supplemental benefit that they earned would be added to the original frozen benefit that they had established when they entered the DROP program, that would make up the total pension benefit. So in the case of the municipal police plan, there would be a frozen benefit of 25 years of service based on a smaller final average compensation, three years of DROP, plus, if they earned or continued working for another three years, there would be an additional benefit of approximately 10% of their new final average compensation.

He said, there were rules associated with DROP that were designed to help keep the program actuarially cost neutral. He said it was not designed to provide retention of employees or encourage people to retire early. Those were some of the common myths floating around the state. The reality of the situation was that DROP was designed to provide the employees with access to a lump sum of money when they terminated their employment. He said that it was very typical in the municipal police system that once an officer reached 25 years of service they did retire. In fact, they had a 90% retirement rate because they had opportunities in the private sector for other types of employment and there was no incentive for them to stay longer. He said that there were other considerations that needed to be investigated with regard to the program, such as making sure that the tax qualification of the plan was not violated.

The teachers and state retirement plans thought that it would be a good idea to offer this type of benefit to their employees. The demographics of the teachers and state retirement systems was significantly different. He said it was not unusual for a career teacher or state employee to work 35 or 40 years. So in designing the plan for the teachers and state employees, in order to maintain the concept of actuarial neutrality, it was necessary to design a plan that would force people to make a decision as to whether or not to participate when they were first eligible to retire, which typically occurred at 25 years of service at age 55 or 30

years of service at any age. Much sooner than the municipal police or East Baton Rouge Parish employee had to make that decision. To maintain that neutrality they established a window whereby an employee could participate in DROP which functioned similar to the municipal police plan or the East Baton Rouge Parish plan in-that they could participate for up to three years - but they had to begin their participation within this window. The window opened when they were first eligible to retire regardless of whether or not they had any intentions to retire. The employee could choose to participate, at that time, with their final average compensation, calculate the reduced pension benefit and have that annual pension deposited into their DROP account for each of the three years that they participated. If you chose to participate for a shorter period of time, then the deposits would replicate that shorter period of time. They did not earn interest on the DROP deposits until they finished participating in DROP. They were allowed to continue their employment after participation and accrue additional supplemental benefits that would be added to that original frozen benefit, but in no case was it ever intended to allow the employees to receive more than 100% of the final compensation. That was the maximum benefit that anyone could receive in this system. He said the plan had two different final average compensations, one that freezes the benefits when they enter into DROP for the 25 years of service, and participate for up to three years. If they work more than three years, the program based that supplemental service, the service after DROP, on the current final average compensation. So they could take the supplemental benefit and add it to the frozen one and now your pension benefit is, the frozen 25 years of service, plus the supplemental benefits, plus the lump sum of money that's available. That is the basic structure of the DROP program.

The design of the DROP program is cost neutral as it relates to the municipal police system. Unfortunately, the same could not be said about the history of the DROP program with respect to teachers and state employees because the initial design that went through the legislative process eliminated the window, which meant that members could go into DROP at any time they wanted. This created some cost issues. The window was added back in and that restored the actuarial cost neutrality to the program. He said that there were always unintended consequences with any program. One of the aspects of DROP for teachers and state employees was that if they participated in DROP they would be barred from being re-hired as a re-hired retiree. However, that provision has since been removed because of the need for hiring retirees due to some shortages throughout the state. The removal of that provision was and is expensive, but does not render the DROP program expensive. However, with the window in place for teachers and state employees the program is actuarially neutral.

He said the DROP program had also spilled over to the school employees' retirement system and the State Trooper's Retirement System. The school employees' retirement system has maintained its actuarial neutrality. However, unfortunately, as it relates to the State Troopers the DROP program was benefitting the state to the detriment of the members. It was not specifically designed for the troopers, but they were given a choice to accept the design that the other state systems had or not have a DROP system at all so they opted to adopt the design of the rest of the state systems. The program has since been altered so as to not disadvantage its members. The State Troopers also have a program called the Back-

DROP. He said that the Back DROP program was not actuarially cost neutral. They troopers had to pay for it themselves and agreed to put the money up to pay for the program.

Representative Morris inquired about the program PLOP.

Charles Hall answered that he did not have any information regarding PLOP.

Charles Hall stated that when an employee participates in DROP the employee contributions cease, the employer's contribution towards the normal cost employee's benefit ceases, but the employer's portion towards the unfunded liability continues. When an employee entered DROP they would be treated as if they had retired, however, recognizing that they would be an active member, but treating them as if they had retired, they would be depositing their pension benefit into an account for each year that they participate. The employee was treated like they had retired then they would not be required to make any contributions nor is the employer, but the employer would still be on the hook for the unfunded liability payment.

Representative Morris inquired as to whether or not retirement system employees were assigned just to the DROP program for calculations and documenting and asked if there was a cost associated with that.

Charles Hall answered that those were administrative cost and that was taken into consideration in the plan design. When the participants are participating in the program and their money was being placed into a DROP account, the system was still investing those monies which earn a rate of return on those investments. The participants earn no interest. Part of the interest that was earned on the investments of the DROP money was used to pay the administrative expenses. That was factored in to the design of the plan.

Representative Morris commented that the cost was paid and borne by the interest that was made through the investments.

Charles Hall responded that's correct. He said that they recognized that there was a small incremental administrative cost for implementing the plan, but that cost was offset by the fact that interest on the accumulation of the account was not paid to the participants while they were still working. The interest on the DROP account also offset other costs as well, but it fully offset the administrative costs.

Representative Morris asked if it was safe to say that not all DROP programs across the state of Louisiana are cost neutral.

Charles Hall responded that was a correct statement, however he assured the group that the DROP of the state systems and the municipal police system in Louisiana was cost neutral.

Representative Morris inquired as to how much DROP cost or saved the state of Louisiana.

Charles Hall responded that there was no cost involved. There used to be a savings relative to the State Troopers system, but that program had been eliminated and now they are operating out of a different program.

Representative Pearson inquired as to whether or not there was a possibility that, because of DROP employees were staying on the job longer.

Charles Hall replied that that was a true statement in some individual cases, but did not think that the statement was true as a blanket statement for all of the systems. It was his belief that in certain segments of some of the systems, that would be a true statement. He also thought that in certain segments of some of the systems it also encouraged people to leave early. He said that it worked both ways, he could not say that it had a definite impact across the board on one of those trends or the other. Part of the initial design in East Baton Rouge Parish was that the employee actually retired after participating in the program. However, that was not the case for the state systems. The state systems always had the ability to continue active employment after participation in the DROP program. They did not have access to their DROP account, but could accrue a supplement benefit for working after DROP.

Representative Pearson inquired . . . again as to whether or not employees stayed longer because of the option to continue working and drawing a salary and then being allowed to participate in the DROP program, retire, collect their full retirement and then come back to work for the state and working for their full level of salary that they had when they retired, perhaps the peak earnings of their career.

Charles Hall responded that was one of the analyses that most people go through; however, the program is designed to be actuarially cost neutral which means that there would be some people that would receive a larger benefit than they would have had there not been a DROP program, but there are also going to be people who would go into DROP that would receive a benefit that would be less than what they would have received had they not gone into DROP

Representative Pearson inquired as to whether that was the fault of the DROP program.

Charles Hall replied that it was not the fault of the systems, it was just the design. Half the people are going to benefit and half the people are not going to benefit. The cost is going to be offset by the ones that don't benefit for those that do. Those employees that continue working after participating in DROP, typically do not benefit from the program while those that do participate and leave are more likely to benefit from the program. Because those that continue working froze their final average compensation ten years ago at \$40,000, they do DROP and they spend another couple of years working, they get a supplement benefit and are

given an opportunity to increase their position, now their annual salary is around \$75,000, \$40,000 on actuarially equivalent basis that was roughly \$400,000 plus three years of DROP which is another \$120,000 which would be \$520,000 present value compared to a final average salary which has a value of \$700,000. These are the ones that save the state money because they froze their benefit at \$40,000, plus the small supplement at \$70,000. That is the very reason constituents come to the legislature and ask for legislation to undo their DROP.

Representative Pearson inquired whether or not the increase in salary was because the employee got a higher job classification.

Charles Hall answered they either got promoted or received more pay increases than were expected.

Representative Pearson commented that within the various state systems there are some systems that have an accrual rate of 2.5% and others 3.3%.

Charles Hall responded hazardous duty employees typically get 3.3% accrual rate in recognition of the fact that they are participating in a hazardous job. The legislature determined what was deemed to be an appropriate replacement ratio for people that were subjected to shorter careers because of the stress of the career. In other words, they would prefer that a hazardous duty employee be able to get 100% of compensation at 30 years of service, where they say a teacher would have to work 40 years to get 100%.

Representative Pearson inquired as to the differences in the final average compensation amongst the different state plans. Some have three years others have five, and asked about the difference of the three year final average compensation versus the five year final average in the retirement systems.

Charles Hall replied that there was typically a three year final average compensation for the retirement systems, however, in the last couple of years there has been some move to save money for the state or to reduce the employers portion of the contribution. He said that one of the ways that could be done was to tighten up the benefit structure and they recognized that if they moved from a three year final average compensation to a five year final average compensation there would be some savings.

Representative Pearson inquired relative to the spiking and asked if that had any bearing on the DROP program.

Charles Hall responded that spiking basically addressed the final average compensation. He said that there was some previous legislation that changed the spiking limit from 25% to 15% which simply means that when you calculate the final average compensation, you could only consider from one year to the next, at most, a 15% increase so if for some reason that someone had an increase from one year to the next in that final average compensation that exceeded 15% then it was reduced to 15%.

Representative Morris inquired as to what the legislative body could do for DROP, if anything.

Charles Hall responded that he understood that there were a good number of constituents that really liked DROP and the aspect of having a lump sum of money available to them. He stated that personally he did not like the program because he did not believe that there should be programs that would allow people to inadvertently choose something to their detriment. The potential of that happens when you force someone to make a decision regarding retirement because of the window provision in the DROP program. However, taking the window provision out would be a cost-prohibitive step and would be tantamount to the Back DROP where you make that decision at the end of the career, which cost money. He said the current design had the potential to benefit a member as much as it did to hurt a member.

Representative Pearson inquired as to whether or not he thought that DROP should be repealed.

Charles Hall answered that he had just given the advisory group his personal opinion, but maintained that the program was actuarially cost neutral which means from a funding standpoint it was not costing the state any more or any less money to keep it. He said that the most common complaint is that the employees simply just did not understand or they were misinformed; however, the retirements systems spend a great deal of time and effort preparing information to educate the participants and give them every possible option and explanation about the chances of those options.

Representative Morris inquired as to whether the retirement systems pay people that do absolutely nothing but administer DROP.

Charles Hall replied that he thought the answer was yes. There were specialists that worked in the teachers' retirement system and the state employees' retirement system that were assigned to do nothing but administer the DROP program and communicate to the membership and make sure that adequate information was dispersed to the membership when someone became eligible to participate in DROP. Just as there would be a segment of the retirement system that would be dedicated to the data processing aspect or a section that was dedicated to the investments, or employee benefits, there was a small section that was dedicated to administering the DROP program. That additional staff or dedicated section, the cost of that is paid for by the fact that the program retains the investment earnings on the DROP account to cover that administrative expense.

Representative Morris called on the Louisiana Workforce Commission, Office of Workforce Development.

Representative Morris inquired about information relative to the incumbent worker's training program as well as any other program that might be a benefit to state workers. He said what the group was looking for was the possibility of utilizing the incumbent worker's

training program for state workers in some way. He wanted to know whether or not it could or could not work, if it was possible or not, and, if not, what else could possibly be done.

Howard Sanders, Director, Office of Workforce Development appeared and testified that the funding for the incumbent worker training is a social charge that was attached to unemployment insurance, the state does not contribute to it. That was his first concern regarding the push back that they would receive from the business community. They would be funding a benefit to state employees that the state itself was not contributing to, the expense is purely borne by businesses.

Representative Morris commented that he understood that.

Howard Sanders replied that the funding for next year had been reduced. He said that they had hit some triggers in UI where the charge that was to be assessed would be 20 million beginning 7/1/10. They were already going to be dealing with a tremendously reduced fund balance to fund the training they had historically done in the past.

Kevin Joyce commented that initially the program was funded at six million per year, however, after two years it went to 50 million and now 20 million which was the lowest it has been since the time it went up to 50 million.

Howard Sanders stated that companies were already going to see less money to fund the training that they had successfully done in the past which could mean numbers trained, fewer dollars for those trained. He said that last year they had trained somewhere in the neighborhood, through IWTP, 66,000 workers which produced an average pay increase of about 14%. It was his belief that the business community was seeing the benefit of what had been made available to them. SBAT, on the other hand, see about the same percent increase in worker wages with smaller numbers because that applies to companies with 50 or fewer employees.

Representative Morris commented that it was his belief that state workers would be an asset to any business and utilizing those that might possibly be severed from their public employment in the private sector would be an asset versus a liability. That was somewhat what the group was looking at. He asked for an explanation of the incumbent worker training program, how it started, what it has moved into, what it actually does, the success, etc.

Howard Sanders replied as far as the success they were seeing, he thought that the numbers of participants trained was substantial, 66,000 people combined expenditures for the year between the SBAT small businesses employee training and IWTP was in excess of 34 million. Unfortunately, they would not be working with that fund balance in the foreseeable future. IWTP is for businesses that have 50 employees or more and have to have been in business for at least three years and be in good standing with their unemployment insurance payments. He said that they have individuals that go out, sit down and take applications, then go through the rigors of qualifying them, using a point system on what makes a business

qualified to receive an IWTP grant, which he said was a well-used tool around Louisiana and they had seen great success using this tool.

Representative Morris inquired as to when their program started.

Howard Sanders answered in 1998.

Representative Morris inquired relative to the funding and asked if it started with strictly employee type funding or whether or not it was a federal grant and asked where the first money came from.

Kevin Joyce answered that Representative Gary Forester had worked very hard to establish the fund. He said that the funding had always been a social charge of the unemployment insurance tax payments for the program.

Representative Morris inquired as to what that was.

Kevin Joyce responded that the percentage would vary depending each year upon the targets, in a year in which 35 million where the allowed assessment, the UI tax unit would set the percentage on projected taxes to meet that mark. In some years the actual percentage might go up or down, but it is a percentage of the wages of the taxes paid to meet the target which has been 35 million. Next year it will be 20 million.

Howard Sanders replied that SBAT was 2.3% of the IWTP assessment.

Representative Morris inquired as to what caused the drop from 35 million to 20 million.

Kevin Joyce answered that there were triggers established in the statute that say if the unemployment insurance trust fund was at a certain level the funding would be at a certain level. If there is less than a billion predicted to be in the fund by the Revenue Estimating Conference then there would be no funding for that next year. If it was between one billion and 1.25 billion there would be 20 million assessed. If it was in excess of 1.25 billion then 35 million would be assessed and that was the cap.

Representative Morris inquired as to where the training for the individuals took place.

Howard Sanders answered the training was for independent contractors, and it could be at the Louisiana Technical College. The grant application process takes place between the employer, a training provider, and a representative from IWTP. They submit an application, the group at IWTP assesses it, qualifies that it is high demand occupation, and then it moves to the approval process.

Kevin Joyce stated that the goal of the program is customized training for businesses' needs, the training could take place at the employer's site or at the training provider site whatever best meets businesses' needs.

Howard Sanders commented that there was other funding dollars available. LWC is a federally funded agency, they receive workforce investment act funds that they transfer back through the local workforce investment areas. They are responsible for the job training and placement. So if anyone was displaced as a worker, that would be an eligibility they have in order to visit one of the business career and solution centers where they could receive core intensive services, and if the determination was made that they needed to be up-skilled, then there are training dollars that would be available, at the local level, that applicants or participants could apply for.

Representative Morris inquired relative to more money being put into the fund by the state would they be able to pick up and move forward with a program for training state employees.

Howard Sanders answered yes.

Benny Soulier answered that under the existing law they would not be able to do that. It would take some sort of legislation to enable them to train state employees. If that happened, there would be other agencies out there that would then qualify under that same arrangement. Those individuals that do not pay unemployment insurance, for example, state agencies, local municipal agencies, and other non-profit associations that are out there that would also qualify should that provision be removed. This would create a much larger group out there that would then become eligible for those types of services from those businesses that were not contributing to the fund overall. He felt that would be something that they would have to take a very close look at should the requirement be removed that businesses actually contribute to the unemployment insurance fund.

Representative Morris commented that he understood that it would take legislation to accomplish that but it could be targeted to the specific intent of what they were trying to possibly accomplish by doing this.

Benny Soulier replied that it was possible. He said if there was funding available to invest in the incumbent worker training programs specifically for state employees, they had the infrastructure to make that happen. He said if there were available dollars outside of those funds that were typically selected as part of the UI tax system, then they could arrange to make sure that the training providers were there and the appropriate infrastructure was available to identify those state employees that would need the training and to make sure that they got quality outcome. There are workforce investment programs that are available for those employees who actually depart from state government which he thought they could arrange to provide a variety of training, outside of the incumbent worker training program, that were federally funded. That would be available to those individuals to become retrained or to be trained into other occupations and move on in other career paths. So that with any infusion of additional dollars to the fund in the incumbent worker training could certainly be arranged.

Representative Morris inquired as to what other programs were available.

Benny Soulier answered that the majority of their programs were funded through the US Department of Labor under the Workforce Investment Act. There is a specific program for adults, individuals 21 and over, for youths, 16 to 21 years of age, and dislocated workers which would be individuals who were laid off as a result of a facility closure or industry decline who were unlikely to return to their previous line of work and were in need of training to change their career. He said that this was an annual allocation that the agency got. The funding was distributed by formula to 18 local Workforce Investment Boards throughout the state. The boards are made up of individuals from the private sector who essentially have the authority over those allocations in the local areas in terms of how those dollars are going to be invested to make the biggest bang for the buck in that particular region or economy. The LWC (formerly LDOL) does not provide those services directly, they are provided through the local Workforce Investment Boards in the local area. Each one of the boards consists of a representative from economic development, LCTCS for example, and other educational institutions to make sure they had all of the key stakeholders at the local level making the decisions relative to how the funds were going to be invested.

They had a handout for the advisory group. For further details please see handout.

Representative Morris called on the Office of Group Benefits, Mr. Tommy Teauge.

Tommy Teauge, CEO of the Office of Group Benefits. He introduced Malcolm Veazie Deputy Administrator in charge of customer service and provider relations, and Katheryn Simpson, departmental communications director. They had received follow-up questions from the committee. The first question: Has the number of active employees enrolled in OGB health plans increased since the enactment of the retiree participation schedule? The participation schedule, the 75%, applies to people who were grandfathered - those people who were participating in group benefits before December 1, 2001. Those that were hired after January 1 of 2002 have to have the requisite number of years in order to get the delineated participation amount. In May 2001, prior to the participation schedule, there were 83,443 state and school system employees participating in group benefits. Shortly after the participation schedule went into affect in July of 2002, there were 85,345. As of the time of this meeting, there were 88,595. The number of enrollees in the LSU high deductible plan increased from 2,197 in 2002 to 11,857 as of the time of this meeting. During this interim, OGB had two parish school systems withdraw from group benefits - Ascension and St. Tammany. If you take those people out, they have had an increase from just prior to the participation schedule to the time of this meeting of 11,059 employees, and in the LSU high deductible plan, 9,660 employees. So, the answer to the first question is that, yes, there has been an increase since the participation schedule was enacted.

Tommy Teauge continued with the second question: Has increased participation in OGB health plans had a measurable affect on premium rates for OGB health plans? Since about 2004 they have been below the national trends on rate increases. The percentages show that since fiscal year 2006-2007, they have beaten the fiscal trends quite a bit. The fund balances of Group Benefits shows until fiscal year 2006-2007, they were running a deficit and

beginning that year, even with limited increases, they were able to build their fund balance to where they're now fiscally sound.

Tommy Teague continued with the third question: How many active state employees are currently enrolled in OGB health plans? There are 88,595 total active enrollees, not counting dependants. 20,300 of those are in school systems, so 68,295 active state employees are currently enrolled in OGB health plans, not including the LSU high deductible plan. He kept excluding the LSU plan because LSU administers that plan and they are responsible for the fiscal integrity of that plan. All they do is the eligibility for the LSU plan.

Tommy Teague continued with the fourth question: Of active state employees enrolled in OGB health plans, how many qualify for a full or partial premium subsidy if they retire now? The closest numbers he could give were from July 1, 2008, which was the last time the actuary calculated the GASB 45 Liability, 70,125 active state employees, and of those, 37,238 as of July 1, 2008 could retire with a premium subsidy. Of that 37,238, 36,563 would be eligible for the full 75% principally because they were grandfathered. 675 were eligible for partial OGB premium subsidy.

Tommy Teague continued with the final question: Of active state employees enrolled in OGB health plans who are eligible to receive the maximum 75%, how many are currently eligible for regular unreduced retirement benefits. He said they had to go to LASER to get the answer. According to LASERS, there were 61,991 active employees as of June 30, 2009 who were in the retirement system, not including the LSU high deductible plan. Of that amount, 3,881 were eligible to retire as of December of 2009. There were 2,521 DROP participants, 2,417 continuing to work after DROP, and 279 re-hired retirees. So, of the 61,991 active employees in LASERS, 9,105 of them are eligible for regular, unreduced retirement, according to LASERS. He said they did not do a file match, so they won't have a direct correlation between the number of people in OGB because some of those people may be in teachers, state police, and other retirement systems. Those were the best numbers he said they could get without doing a full match.

Representative Morris stated that someone had asked a question to OGB in a previous committee meeting about the participation aspect of the health benefit of what the employee pays versus the employer.

Tommy Teague answered that he had provided a rate sheet in the last meeting that showed the rates for each plan. Essentially, employees receive 75% contribution based upon the PPO plan, which is the base plan. If the rates in the EPO plan, which has a nationwide network, are more, then the employee's proportion is more than the 75%. Employees dependents receive a 50% contribution. For retirees, based upon the participation schedule if they're grandfathered or have 20 years, they receive a 75% contribution level based on the PPO and the dependents receive a 75% contribution level. One more provision in the statutes stated that a retiree shall not pay more than an employee for the same classification of

coverage. For some of the retirees without medicare coverage, the state may end up paying closer to 80% of that premium than the 75% because of that statutory provision.

Representative Morris stated that he was looking towards moving a recommendation possibly on a short-term basis of actually making changes to that provision.

Tommy Teauge stated that the law became affective in 2001 and was actually put into affect incrementally for a three-year period, so the full 75% did not hit until 2004 or 2005.

Representative Morris stated they did not want to make everybody run from the system, so any recommendation they might put forward would be on a very short-term basis.

Tommy Teauge responded they had been dealing with some difficulty in funding group benefits over the years. The participation schedule had given them a steady stream and encouraged participation of people in the group benefits programs. Combined with some other changes that were made in 2006 to divest them of a plan that was not operating very efficiently, and self-funding all of their medical programs, they were able to generate substantial savings without changing the benefit structure itself.

Representative Morris inquired about the cost difference from the 2008 to the 2009 budget and what caused them to go from \$176 to \$127 under the surplus deficit.

Tommy Teauge answered in 2006-2007, they saw an immediate result from the cancellation of their Manage Care Organization product. They had about 30,000 participants in the MCO product and when they went to re-bid that, the discounts in that program were not as good as they thought they were so they cancelled it. That cancellation was a primary cause for the increase in 2007-2008 because those plan members had to choose other plans that were more cost effective. They continued to self-fund, and received more savings than the actuary estimated as a result of getting better discounts through their PPO, EPO, and HMO programs. There were some very small rate increases in 2008-2009 of 3.7% and 3% respectively, so there was a small additional influx of funding. He said they continue to operate those existing programs efficiently.

Representative Pearson asked if the participation had to be continuous to set the 75%.

Tommy Teauge answered when the legislation was first enacted, it said that if a person was participating on December 1, 2001, then he would be grandfathered. So, even if they were only participating for a month, as of that time they were grandfathered into the 75% participation. Since that time, a person has to have the graduated amount of years up to 20 years to have OGB coverage. If a person worked for the state for 30 years and there was a break in their coverage during that time, but at the time they retired they were with Group Benefits and had at least 20 years of service with group benefits coverage, they were entitled to the 75%.

Representative Pearson inquired as to the year people were grandfathered in.

Tommy Teauge answered that the participation schedule was affective January 1, 2002, but the law provided if a person was participating a month earlier than that, as of December 1, 2001, then they would be grandfathered when the law went into affect the next month.

Representative Pearson inquired whether or not they had to stay in the program.

Tommy Teauge answered that the person would have to stay in the Group Benefits program in order to keep the coverage. If they had coverage, and before they retired they dropped the program and did not get it back, then they would not be eligible to take it into retirement. If a person has it in retirement and for some reason dropped it, they could not get it back. The whole concept is to encourage continuous participation in order to spread the risk to healthier people to pay for those not so healthy.

Representative Pearson inquired whether or not that kept the healthier people in.

Tommy Teauge answered that he thought a defined benefit health plan like this one with the employer continuing to contribute a substantial sum would keep a lot of people from leaving state service and going elsewhere. This and the retirement system, once you have quite a few years in, he said that it was very difficult to leave.

Representative Pearson inquired whether or not it would be problematic if they had to reduce the number of state employees.

Tommy Teauge replied that it would be problematic because if there was a layoff and a person was eligible to retire but did not have the 20 years with OGB, then they would not get their full contribution into retirement.

Representative Pearson asked what would happen if a person was furloughed or laid off and then later came back in.

Tommy Teauge answered that that person could pick up the service where they left. As a re-hired employee, they would be eligible to take the coverage. There are federal laws that if a person was furloughed just for a short period of time, they could take COBRA coverage and keep their coverage in force until they return for a number of years in order to retire.

Representative Morris asked about the cost of the program for the state.

Tommy Teauge answered their budget is about \$1.2 billion a year. They are in the ancillary bill so they operate from self-generated revenues and the fund balance rolls over every year whether it's a negative or a positive.

Representative Morris asked if that was the state's portion of it or the total portion.

Tommy Teauge answered that it was the total portion. He wasn't sure exactly what the budget was as of the time of the meeting but offered to get that information to the committee first thing in the morning.

Representative Morris asked if he had a rough idea of the total cost at that time.

Tommy Teauge responded he thought the state's overall contribution considering everything would end up at about 68% of the total. So, 68% of \$1.2 billion would be a close estimate of the state's contribution.

Representative Morris commented that the committee would have to look at the fact that they have some fiscal problems. He thought that OGB was a good benefit and he would hate to see anybody lose their benefits. He said he would make a recommendation that they drop it back to a 60/40 from the 75/25 on a short-term basis because they could save \$50 million dollars a year.

Tommy Teauge replied they could calculate that.

Representative Morris stated that it would be on a short-term basis, possibly for 2011-12 and then reducing the premium share back to 35, then 30, and then going back in 2015, if they could afford it state-wide, to the 25.

Tommy Teauge stated that they had worked hard to get a steady fund balance. The unintended consequence of the recommendation would be that they would have quite a number of state employees who would not take the coverage because they did not think they could afford it. He stated that there would be a decrease in the number of participating state employees.

Representative Morris asked for an estimate of the percent.

Tommy Teauge answered that he did not have a estimate, but could work one up and get it back to the advisory group.

Representative Morris asked if the recommendation was moved forward, those people that opted out because they felt that they could not afford it could come back in 2015.

Tommy Teauge responded it would depend on what the Federal Government did. At the time of the meeting, if someone were an active employee, dropped the coverage, and then sought to get it back while they were still active, a pre-existing condition limitation would be applied to their coverage. If federal legislation going forward took away that pre-existing conditions, then pre-existing conditions could not be imposed. OGB would then have to adjust their rules because they would not be able to let people get in and out at will and still keep a

stable risk pool. The concept is that everyone should be covered in order for the risk pool as a whole to remain relatively healthy to pay for the expenses for the ones that really got sick. That would apply to active employees. If a retiree got out, they could never get back in.

Representative Morris asked what that percentage was.

Tommy Teauge replied that they have 18,966 retirees without medicare and 28,277 retirees with medicare. He stated that, at the time of the meeting, they had 68,295 active state employees without the school system employees.

Representative Morris commented based on the fact that they were talking about active employees versus retired employees, did he have any reason to believe that the \$50 million might not be a good number.

Tommy Teauge responded that the number might be higher. He would get the numbers to the committee.

Representative Morris stated that he wanted to try to save jobs, and he wanted to move forward with the recommendation on a short term basis.

Laura Gail Sullivan inquired about the 36,000 people eligible for the full OGB premium subsidy who are eligible to retire with it.

Tommy Teauge answered that it may be with a reduced retirement.

Laura Gail Sullivan asked if, in regard to the participation schedule, an employee has been grandfathered or is at their 75% and the premium goes up so they get out of the coverage, would that person lose their 75% if they decide to add the coverage again when the 75% comes back for active employees or would they lose the 75% retiree premium pay.

Tommy Teauge answered that if an active state employee dropped their coverage because the participation level went down, is still active when the participation goes up and reinstates their coverage, if they had 20 years of service with Group Benefits when they retire they would get the 75%. The coverage would not have to be continuous.

Laura Gail Sullivan asked if that were the same for those who were grandfathered.

Tommy Teauge answered that a grandfathered employee would still have to have the coverage immediately before they retired in order to take it into retirement with them.

Laura Gail Sullivan asked if anybody could drop it and still get the 75% coverage as long as they were in the first day for the grandfathering.

Tommy Teauge answered he thought that was the way it worked. If an employee had 20 years with a 10 year break in coverage, as long as they had the 20 years at the point they retire or were grandfathered at the point they retired and was participating in group benefits, they would get the 75%.

Laura Gail Sullivan commented that part of the recommendation would be that if an employee dropped the coverage completely for 3 or 4 years, the state would have no responsibility and would not have to pay the 60 percent for that employee.

Tommy Teauge stated that active state employees could drop their coverage. If they are still active they can get it back but they would get it back with the pre-existing condition limitation, so that any conditions they have, for example, for a period of a year prior to when they come back would not be covered for two years. The federal legislation may impact on that, but that is the penalty if an active employee drops their coverage and then gets it back while they are active. If an active employee drops it because their spouse has other coverage and can cover them as a dependent for less money, then when that employee gets it back, there is no penalty under **HIPPA** under federal law. It was his belief that if an employee was still active and they re-instated their coverage before they retire, they would still be grandfathered. He stated that they would check on that information and get it back to the advisory group.

Representative Morris stated that he had a problem with an employee would get out of the coverage to avoid paying the higher premium and then get right back in again later when the premium was reduced.

Tommy Teauge answered that could be addressed by a rule.

Representative Morris stated he would like them to address that problem if the recommendation moved forward.

Laura Gail Sullivan stated that the recommendation of the committee is to increase the employee share of group benefits premium to 40% for the 2011 and 2012 fiscal years, reduce the premium share 35% for fiscal year 2013, 30% for fiscal year 2014, and back to 25% for fiscal year 2015. The estimated savings is \$50 million, possibly up to \$57 million for fiscal year 2011 based on the number of people that are participating now, and decreasing thereafter to zero savings in fiscal year 2015. It would require a statutory change.

Representative Morris inquired whether or not it would be prospective.

Laura Gail Sullivan replied that the active employee's share would be prospective and it would not affect retirees.

Tommy Teauge asked about the dependents of active employees.

Laura Gail Sullivan responded that the dependents of active employees were already at 50/50.

Representative Morris commented that they were not addressing dependents. He stated that the recommendation would move to the main streamlining commission for a vote.

Representative Morris called on the Louisiana Public Service Commission, Eve Kahao Gonzales.

Eve Kahao Gonzales, Secretary, Louisiana Public Service Commission appeared and testified that she was here to address the recommendations of the Mercatus Center. She thought that for the most part the recommendations were accurate and needed just a few clarifications. She said the activities of the commission had zero impact on the state's budget. Reading the recommendation she said all of the activities were fully recovered by the fees charged. The recommendation also said that the fee fixing process should be fully transparent and should be on the commission's website. She said this process was set by statute so the fees were already transparent and any other fees, such as application fees, were posted on the website.

The second recommendation, the commission should be required by its statute to take into account the impact on the competitiveness of Louisiana as it carries out its duties. She said that the commission was constitutionally mandated to regulate public utilities and common carriers and by virtue of that mandate the activities that they engage in do take into account the impact on competitiveness of Louisiana as it carries out its duties.

The third recommendation, was the commission fees and charges should be subjected to the new cost recovery criteria. She said that they were fully 100% self-funded and all of the fees they collect fund their programs. They are constitutionally created with regulatory authority over public utilities, and common carriers, and are headed by five elected officials, empowered by the constitution with the power to adopt and enforce reasonable and fair rules, regulations, and procedures to carry out their constitutional mandates, have statutory mandates by the legislature, and operate with no general funds or federal funds. The LPSC has continued to operate effectively and efficiently, funded solely by statutorily dedicated funding which consists of regulatory and supervision fees, fines, and collections received from regulated entities without general funds and are consistent with the full cost recovery model of operations. Through LPSC's continued oversight over public utilities, businesses and industry is able to operate in a competitive and an advantageous environment that ultimately results in affordable prices and rates for citizens.

Representative Morris asked about the cost recovery aspect. He said that he knew they were statutorily bound by the fact that they could not spend any more than what they collect. They could collect more than what they spend, and have done that through good stewardship because they were not spending everything they have. He mentioned a prior

Joint Budget meeting where she had made reference to some budgets they had and asked if she would touch base on those.

Eve Gonzales asked if he would like to know about their budgets for the past years.

Representative Morris asked her to talk about the money that had come up as surplus. He understood cost recovery and the definition was to try to stop over-collection of fees and wanted her to address cost recovery issues.

Eve Gonzales addressed over-collection. LPSC's collections consist of fines and fees they collect from different entities. In different years, sometimes fines have been higher. For example from 2002-2003, they had over a million dollars in fines from Bell South Telecommunications. They had no control over those fines since the statutory fees were already set as far as how much they collect from the regulated entities. However, it varied - another example was during the hurricanes, many companies were not making as much money so LPSC could not collect fines from the intrastate trucking company during that time so the collections were down. Although the fees are set by statute, other factors affect how much they could collect in a given fiscal year.

Representative Morris asked her to start pre-storm and then move forward.

Eve Gonzales replied that pre-storm in 01/02 and 02/03 they had a high collection of fines. At that time they spent less than their revenues in those two years. In 2003/2004, 2004/2005, and 2005/2006, they spent more than the revenues that they brought in. However, they did have savings so they did not have a deficit. Their expenditures were higher than their revenue collected in those years, some of that was due to the hurricanes when they were not able to collect certain fines. In 2006/2007, the expenditures were almost exactly in line with the revenue collected. In 2007/2008, they had requested a statutory increase in their inspection and supervision fees because they had not been collecting at a deficit but spending more than they collected.

Representative Morris asked why it rose and fell.

Eve Gonzales replied that the rise and fall occurs because of many variables. For example, the fines and fees change from year to year. Because of the variability, they check their balances every month and plan accordingly for the rise and fall, to try to operate from a streamlining position. She said the problem for them was that they lost 17 employees and 11 positions. For a year and a half, they had not collected any money but were paying those 17 people, they did not lay them off because they thought PSC would administer the program that ultimately went to Public Safety.

Representative Morris asked if those positions were gone now.

Eve Gonzales replied the 17 employees were gone. They lost 11 other employees that were non-transportation related, and got 9 positions back last session.

Representative Morris asked her to address the proposal made by the Mercatus Center that the PSC should be subjected to the criteria of full-cost recovery.

Eve Gonzales responded they do not take from the general fund nor do they cost the general fund any money. They have no impact on the general fund.

Representative Morris asked about their budget.

Eve Gonzales replied that their budget that year was \$8.9 million.

Representative Morris asked about the recommendation that stated that the PSC should be statutorily mandated to take into account the impact or competitiveness of the state as the commission carries out its duties. They say it is an undeterminable amount of possible savings and asked if PSC had a response.

Eve Gonzales answered they work with many different agencies and industries. New businesses, and new industries come in all the time to meet with them and work out rates that are competitive. Many of the agencies have a number of economic development schedules, and industries could opt to be on one of those schedules, depending on different criteria for the schedule. If the schedules did not work out, PSC would try to work with the utility and industry.

Representative Morris commented that he would hold the proposal by the Mercatus Center relative the \$8 million that subject PSC to the criteria of full cost recovery. He would try to get an explanation on that proposal before moving forward with it. He verified that Ms. Gonzales understood that the proposals might still be moved forward.

Eve Gonzales answered that she understood.

Representative Morris said that he thought PSC was already doing what the other proposal stated about the PSC being statutorily mandated to take into account the impact or competitiveness of the state as the commission carries out its duties. He stated that he did not see any reason to move that recommendation forward. There were no objections from the committee. He asked Ms. Gonzales if she knew if any other committee had moved forward on the recommendations she had provided of their budget saving measures.

Eve Gonzales answered that no other committee had moved forward at that time.

Representative Morris stated that this committee would probably move forward with them since they were PSC's recommendations. He would like to have cost-savings tied in with them and he asked Ms. Gonzales to confer with Ms. Sullivan, and then come back later to

present the recommendations. He asked Ms. Sullivan to read the recommendations into the record with the understanding that Ms. Gonzales was to confer with her relative to the cost-savings measures.

Laura Gail Sullivan read the recommendations: The Louisiana Public Service Commission budget saving measures - after a review of all Louisiana Public Service Commission telecommunication services, reduce the number of telephone lines plus delete voice mail; review dues and subscriptions for the entire PSC and eliminat those that were no longer serving our needs and/or were too costly; consolidate the number of copiers and electronic devices throughout the PSC; downsize the number of vehicles from 32 to 14 and drastically cut back on personal assignment and home storage, vehicles are used as pool vehicles; use one purchasing source, all purchase orders should be issued from one central location; every effort should be taken to buy in bulk and an adequate inventory of supplies and equipment is to be maintained; a requisition system for issuance statewide should be implemented; reduce travel except where absolutely necessary; reduce agency membership in professional regulatory organizations due to high cost; continue to move toward electronic documentation and filing requirements to reduce paper, office supplies, postage and other associated costs; whenever possible, consolidate multiple investigations into single subpoena requests to reduce enforcement costs; agency database has been created to maintain information obtained through subpoena process to avoid duplication of requests for records that must be purchased.

Representative Morris stated that he would like PSC to try to figure out why Mercatus came up with an \$8 million dollar figure. The definition of cost-recovery, according to Mercatus, was that they would like to see that they were a fully funded service and the non-users were not subsidizing the services that were not being used. He said they would hold that recommendation and allow PSC to figure it out, and then bring it back up at another meeting, if needed. If there were no issues with the recommendation, it might be put on the agenda of the next meeting in order to move forward with it.

Laura Gail Sullivan clarified that Rule 13 indicated that after the recommendation from the advisory group was received by the commission, the commission shall receive written comment and forward the comment back to the advisory group. The period for written comment is not to exceed 14 days. As the commission speeds up its own process, the statement by the chairman may begin to be that the comment period would be less than 14 days. When they receive the recommendations, she said she thought Mr. Donahue would indicate the comment period for the recommendations received on that day.

Representative Morris and the rest of the advisory group were in agreement with moving the recommendation forward to the streamlining commission. In that process, they would try to find out about the \$8 million.

Eve Gonzales asked if the day the streamlining commission met to read the recommendation would be when the time period starts.

Representative Morris stated that this recommendation would probably go to them in the next week. At that time, the chairman would tell them how much time they have to respond. He asked Ms. Sullivan to read the other proposals from the Mercatus Center into the record.

Laura Gail Sullivan read the other recommendation into the record: The Public Service Commission should be subjected to the criteria of full cost recovery.

Representative Morris wanted to work on this recommendation and move it forward to the streamlining commission.

Laura Gail Sullivan read the next recommendation into the record: The Public Service Commission should be statutorily mandated to take into account the impact on competitiveness of the state as the commission carries out its duties.

Representative Morris objected to this recommendation. The other members were in agreement with the objection, so the recommendation did not move out of the advisory group.

Representative Morris called on Department of Natural Resources.

Bob Harper, Secretary for the Department of Natural Resources, stated that he knew he was there to address the recommendations.

Representative Morris wanted to move forward with presenting the proposals and asked Mr. Harper to let them know if any of the proposals had already been offered.

Laura Gail Sullivan read the first proposal into the record. The Technology Assessment Division of the Department of Natural Resources should be run on a full cost-recovery basis.

Bob Harper stated that the recommendation had not been discussed. The Technology Assessment Division is primarily funded through federal funds. Of the \$2.3 million funding the Technology Assessment Division, \$1.7 is federal, leaving only \$500,000 of general fund money for the TAD. It basically supports four employees who are the oil and gas experts at DNR. Whether they would be able to charge people for providing oil and gas information would be problematic in the department. About half of the work they do is for fiscal notes during session, and the legislature cannot be charged for doing fiscal notes during session.

Representative Morris did not want to not move the recommendation forward with no objection from the members. He reiterated that just because the advisory committee did not move forward with the recommendation, the streamlining commission could still put it back on the agenda.

Laura Gail Sullivan read the second proposal: Create a new Department of Conservation to include current responsibilities of the Department of Natural Resources.

Representative Morris stated that they would take no action on the proposal at this time.

Laura Gail Sullivan read the third proposal: The Department of Natural Resources should automate its oil and gas permitting and reporting processes.

Bob Harper stated that the recommendation had already been discussed.

Laura Gail Sullivan read the fourth proposal: The Department of Natural Resources should integrate inspections of conservation with the Department of Environmental Quality.

Bob Harper responded they had put that out as a proposal initially, but in looking into it, they discovered that there was not much compatibility between the two departments. The people that do the inspections at DEQ tend to be engineers, DNR's people are not engineers that do the inspections in the oil fields and he could not really discover any true savings in consolidating the two departments.

Representative Morris inquired as to whether or not that was their proposal.

Bob Harper answered yes, sir. They were asked to come up with ideas and that was one of the things that they had looked into and it did not pan out.

Representative Morris commented that recommendation was gone.

Laura Gail Sullivan read the fifth proposal: The Department of Natural Resources should restructure the Office of Secretary, Management, and the Atchafalaya basin.

Bob Harper replied that was not discussed. He said that they had actually restructured the Office of the Secretary and the Atchafalaya Basin and would be eliminating six positions.

Representative Morris inquired as to whether or not that was the \$464,000.

Bob Harper answered that it was actually up to \$584,000.

Representative Morris stated that the advisory group was going to move forward with the proposal.

Laura Gail Sullivan read the sixth proposal: The Department of Natural Resources should integrate audit functions with the Department of Revenue where possible.

Bob Harper responded they were proposing the opposite of what was discussed. Members of the Department of Natural Resources and Revenue had discussed how the audit functions could be merged into one department. Issues relative to tax administration, training, and legislative mandates were discussed. DNR has 18 auditors performing royalty audits. During these audits, severance tax information is reviewed to determine if the royalty decimal

was correct. Currently Revenue has four positions assigned full time in the severance tax auditing section at an estimated general fund cost of \$400,000. It is proposed that the four positions be merged with the 18 positions currently in mineral resources. If they were to do that, it would be possible to do a 10% reduction in staff and eliminate two of the auditors. This is the opposite of what Mr. Kennedy proposed. Mr. Kennedy proposed moving the DNR auditors to Revenue, DNR was proposing to move the Revenue auditors to DNR.

Representative Morris inquired as to whether or not this was DNR's proposal

Bob Harper answered, yes sir. This is DNR's proposal that was submitted to the streamlining commission.

Representative Morris commented that this was in direct conflict with a recommendation that had already been made.

Bob Harper replied, yes sir. It was his opinion that both ideas should be considered.

Representative Morris moved the recommendation forward.

Laura Gail Sullivan read the seventh recommendation: The Division of Administration should intergrate some responsibilities of the office of state lands with the Department of Natural Resources.

Bob Harper responded they were going to meet with the Division of Administration Thursday specifically to discuss this recommendation.

Representative Morris moved to hold this recommendation and put it back on the agenda for discussion at the next meeting.

Laura Gail Sullivan read the eighth recommendation: The permitting teams of the Departments of Natural Resources, Wildlife and Fisheries, and Environmental Quality should be co-located.

Bob Harper answered that was being done.

Representative Morris moved this recommendation forward.

Representative Morris inquired as to whether or not there were any more proposals that he wanted read into the record.

Bob Harper answered that pretty much covered everything and wanted to say that if these recommendation were accepted as proposed, they would be eliminating 23 positions next year from the Department of Natural Resources and did intend to include the reductions in their budget request for next year.

Bob Harper stated that they were currently maxed out on their fees and were charging fees at the statutorily authorized level. He said that it would required a change in the law to allow them to generate more revenue. He said that they had minimized their general fund appropriations from 8 million to 4.7 million for the whole department.

Representative Pearson inquired as to the goal they were trying to reach.

Bob Harper answered \$500,000 off of 2.7 million because that was associated with restructuring and outsourcing the office of the secretary.

Representative Morris inquired as to whether or not the 23 positions were permanent.

Bob Harper answered yes, sir, they are coming out of their TO.

Representative Morris called on the Office of Coastal Protection and Restoration.

Jerome Zeringue, Deputy Executive Director of the Office of Coastal Protection and Restoration appeared and testified.

Laura Gail Sullivan read the first recommendation: To relocate coastal protection and restoration authority into a new created Department of Conservation.

Representative Morris commented that the advisory group would not be hearing this recommendation at this time because last year, legislatively, the recommendation was undone. The reason the department was originally moved was for the capability of receiving federal funds as requested.

Jerome Zeringue replied yes, sir, that was a mandate as a result of post Katrina. In order to receive federal funds there had to be one reporting entity and that was the coastal protection and restoration authority in which DNR's restoration component and flood protection component into one entity which is now office of Coastal Protection and Restoration. This became official this past legislative session.

Bob Harper commented that DNR continues to provide all of the administrative support for the organization so it works just like it did in the past.

Laura Gail Sullivan read the second recommendation: The Office of Coastal Protection and Restoration should promote cost savings by holding unfilled positions open and restricting travel.

Representative Morris commented that he had touched base on this in the last meeting where he said those positions were for scientists and asked for further explanation.

Jerome Zeringue responded that primarily the organization consist of engineers and scientists because of the nature of the job. The million dollar reduction was primarily from non-expenditures from some of the existing TO's that had not been filled. He said they were operating again and increased their workload over 1500% in terms of output with very limited staff.

Representative Morris inquired as to whether or not this was their recommendation.

Jerome Zeringue answered, yes sir.

Representative Morris stated the advisory group was going to move the recommendation forward with no objection from the members.

Representative Morris inquired as to the list relative to their top ten cost savings initiatives currently being implemented by the CPR and asked if he was familiar with that list.

Jerome Zeringue answered, yes, sir. He had the list and had a break down of the key components.

Representative Morris wanted to read them into the record. He said that if CPR did not have any problems with them, the advisory group was going to move them forward as recommendations and asked for the thought process and what the possible savings would be.

Laura Gail Sullivan commented that the advisory group needed a number - an estimate of the cost savings.

Jerome Zeringue stated that he did not have specific numbers to the suggestions, but could have them prepared.

Representative Morris stated that he would hold off on the list of items to be put into a format to be voted on at the next meeting. He requested the cost savings numbers. It was his belief that this should not be hard to do because they were the initiatives proposed from the department.

Representative Pearson inquired relative to the engineers in the department and asked if that was who the department primarily hired.

Jerome Zeringue responded within the organization a great deal of the personnel were either engineers or scientists for the restoration and flood protection aspect, but they also contract out a significant amount of their services primarily engineering associated with the huge workload that they have regarding the flood protection activities in New Orleans and other areas.

Representative Pearson inquired as to whether not there was any potential or possibility for the department to work together with any of the universities . . .

Jerome Zeringue responded that they were currently working with a stewardship program with LSU law center for coastal advocacy. In addition to the universities they also had several initiatives with expanding programs within the coastal zone to create opportunities for coastal engineers and scientists. He said that it was their intent to be able to have the ability and capability within the state, within the organization to provide what was needed in terms of expertise, but obviously a lot of that, because of the workload, was being contracted out. However, they wanted to make sure that they maintain the capability within the organization to be able to administer the programs both in flood protection and coastal restoration, but they do partner with universities to provide those opportunities. They had engaged with the LASES program which was a science aspect within the organization that works with several universities to capture both modeling and other initiative scientific aspects, things that traditionally and typically the organization was not capable of doing or could not afford to do, Partnering with universities expanded their ability to utilize from the universities perspective their capability, but also to provide the information that they needed for restoration and flood protection.

Representative Pearson inquired whether or not they had access to the modeling computers or if they used the universities.

Jerome Zeringue replied that they were working with the universities to create both a consortium of sorts that would provide access to those services working with models, expand the capability of the organization by utilizing the universities and tapping into their expertise, but, yes, sir, they do have the capability to utilize modelers and other assets of the universities to assist them on what they are doing.

Representative Pearson inquired as to which universities they worked with.

Jerome Zeringue answered LSU, UNO, Southern, Tulane, Lumcon, consortium - a lot of the expertise came out of Lumcon, Nicholls, and other universities that provide opportunities across the state with expertise - University of Louisiana Lafayette. Several of their contracts and modelers working with projects that they have and capabilities they provide which were things that they could not or did not have the capability in house to achieve.

Representative Pearson inquired as to the engineers that they hire, were they long term state employees - you are looking for specialists - is that an area where people seek a defined benefit plan with a minimum of 10 years, age 60 for retirement or was it a detriment to finding people to work for the department.

Jerome Zeringue answered from their perspective they have some of the best, in terms of restoration and flood protection, engineers. But it was somewhat difficult based upon the amount of work that there is out there right now, unfortunately the work won't continue for an

anticipated long term - the restoration aspect will be completed, for the most part, but flood protection would always be an issue. Right now there is a significant increase or surge of people with engineering restoration expertise primarily associated with addressing the issues in and around New Orleans. 15 billion of flood protection work in the New Orleans and surrounding areas would attract firms from outside of Louisiana as well as within Louisiana. They try to maintain as best they can, the expertise that was needed to operate and provide the services both from flood protection and coastal restoration.

Representative Pearson again asked if the retirement system and the way that it is structured, in this particular case, does it become a deterrent to the employees that are hired.

Jerome Zeringue responded they have only increased their TO by eight. He said to answer the question of whether or not it was a deterrent, for the most part, he thought that a lot of people within the organization were charged and excited about the opportunity to do something good in the area and thought that in and of itself was driving and keeping a lot of the people that they do have.

Representative Pearson inquired as to the number of people that were eligible to retire already.

Jerome Zeringue answered approximately 29 were eligible for retirement in different levels within the next five years.

Representative Morris called on the Department of State Civil Service.

Laura Gail Sullivan read the recommendation, the Department of State Civil Service should be redesigned to provide 21st Century working conditions and workforce management including market equivalence for wages and salary, full de-centralization of employment decisions and seamless exist and re-entry into the Civil Service System.

Representative Morris informed the department that the group was going to move forward with the recommendations relative to Civil Service.

Shannon Templet responded that they believed they were already doing all of those recommendations. As far as the market equivalence for wages and salaries, currently the department used market equivalence studies to establish a broad pay range from which agencies could pay their employees. Those ranges were from 90% to 120% so it provides a lot of flexibility for agencies. She said that they did not agree that state government should be a salary market leader and thought that tax dollars should not be used to drive the market price for skills. In addition, within that recommendation, it was her belief that it mentioned banning any cap put on salary, and did not agree that there should be no limits to the salaries that agencies may choose to pay. Civil Service was of the opinion that there needed to be caps on salaries which would be a cost saving.

The agencies currently have the authority to employ their own workforce. Each agency has the ability to create or eliminate positions, they announce their jobs, receive the applications themselves and determine whether or not a person qualifies, then they give it to the hiring manager. She said that they had actually delegated that authority to the agencies in the framework of the structure that Civil Service provides. She said they had been working the last 10 years to train managers and the appointing authorities on the Civil Service rules and the flexibility that they have within those rules and they would continue to pursue that.

Representative Morris stated that SECURE in its recommendations actually proposed an evaluation called the "upward evaluation" where employees could evaluate their managers and asked if she was familiar with that.

Shannon Templet responded that she was not familiar with that. She said that they were familiar with the 360 performance reviews, but not specifically the "upward evaluation" from out of the SECURE report.

Representative Morris asked her to look into that. He said that if the members of the advisory group agreed, he was going to move the proposal forward. It was his belief that somewhere there was a problem, he did not know where it was, but somewhere there was some miscommunication, they are saying they want it and you are saying they have it, he wanted to figure it out.

Shannon Templet commented based on the Mercatus Center recommendation which clearly stated in its pre-ambule that the recommendations were based on very limited information and some of the suggestions recommended could already be in place. It was her belief that the recommendations were based on the assumption that the Department of State Civil Service was a very centralized human resource system, when in fact, that is not the case.

Representative Morris commented that he was going to propose some possible recommendations for Civil Service and would let them know what they were looking at by the next meeting. The Mercatus Center recommendation was read into the record, there was no objection, that recommendation was moved forward.

Jean Jones stated that they had the information that was requested last week when the advisory group asked a number of different questions and was looking for information relative to the training program, the number of classes, what was required, number of attendees, etc.

Representative Morris announced that the advisory group was going to try and meet each week in November including possibly the week of Thanksgiving.

V. ADJOURNMENT

Representative Jim Morris made a motion to adjourn without objection. There being no further business, the meeting was adjourned at 6:58 p.m.

NOVEMBER 16, 2009

DATE APPROVED

Representative Jim Morris, Chairman